

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

ISSUE: The Sonoma Academy (Borrower) has requested approval of Resolution 11-13 authorizing amendments to the existing indenture and loan agreement for its Senior Fixed Rate Revenue Bonds (Sonoma Academy Project), Series 2007A (Senior Bonds). The proposed amendments would revise the amortization schedule and interest rate for the Senior Bonds, amend and add certain debt service reserve, financial and reporting covenants, and make other conforming changes in connection with a settlement agreement entered into on April 8, 2011 (Settlement Agreement) with AIG Commercial Equipment Finance, Inc., bondholder of the Senior Bonds.

BACKGROUND INFORMATION: Sonoma Academy is a co-educational, independent, nonsectarian, college preparatory high school located in Santa Rosa.

Pursuant to an Indenture entered into on February 9, 2007 (Indenture), the I-Bank issued three series of bonds totaling \$33,000,000 (collectively, the 2007 Bonds). As noted above, the Series 2007A totaling \$23,000,000 was purchased by AIG Commercial Equipment Finance, Inc. (Senior Bond Holder). The Series 2007B (Subordinate Bonds) totaling \$6,000,000 was purchased by Non-Profit Preferred Funding (Subordinate Bond Holder). Purchasers of both Series 2007A and 2007B Bonds were Qualified Institutional Buyers (QIBs) as defined in Section 144(A) of the Securities Act of 1933, as amended.

The Series 2007C (Junior Subordinate Bonds) totaling \$4,000,000 was purchased by several Trustees and supporters of the Borrower as junior subordinate debt. The purchasers of the Series 2007C Bonds were Accredited Investors as defined in Section 4(2) of the Securities Act of 1933, as amended.

Bond proceeds were loaned to the Borrower pursuant to a loan agreement (Loan Agreement) and subsequently used to finance the construction, installation, equipping and furnishing of a school facility consisting of three new buildings comprising approximately 90,000 square feet including a building to house a gymnasium, administration facilities and arts facilities, a building to house a library, classrooms and digital arts facilities and a building to house a black box style theatre and classrooms for theater art; site improvements including an athletic field, an outdoor amphitheatre and landscaping; and other educational facilities, all located at 2500 Farmers Lane, Santa Rosa, California. Proceeds were also used to fund a reserve fund for the 2007 Bonds, and for the payment of capitalized interest and certain costs of issuance. Construction of the campus was completed in January 2009.

The Staff Report dated January 23, 2007, and a copy of Resolution 07-02 are attached for a more complete description of the Project and financing structure (see **Attachment A**).

On, January 25, 2011, the Executive Director provided a verbal report to the Board concerning certain events of default that occurred with respect to the 2007 Bonds, the Indenture and the Loan Agreement.

NEED FOR AMENDMENT: Certain events of default occurred under the Indenture and Loan Agreement, as a result of the Borrower's failure to make payments of principal and interest on the 2007 Bonds due to the bondholders and its failure to comply with certain covenants under both the Indenture and the Loan Agreement. Consequently, on October 13, 2010, the Trustee gave notice of such defaults. Further, on December 14, 2010, the Trustee declared all of the 2007 Bonds to be immediately due and payable. On, April 8, 2011, in order to avoid the costs, delay and uncertainty of litigating such events of default, the Senior Bondholder and the Trustee entered into a settlement agreement (Settlement Agreement). The Settlement Agreement provided for modification and restructuring of the Senior Bonds; modification of financial reporting obligations and covenants; and agreement of the Borrower to cause obligations under the Subordinate Bonds and the Junior Subordinate Bonds to be unconditionally forgiven and cancelled in full.

Subsequent to the execution of the Settlement Agreement, the Borrower negotiated a release agreement with the holders of the Subordinate Bonds upon the effective date of the proposed amendments. The Junior Subordinate Bonds have been returned to the Trustee and are deemed paid and cancelled.

The Senior Bondholder has directed the Trustee to waive all of the events of default and rescind the consequences, including the acceleration of the 2007 Bonds. The Borrower requests the amendment of the Indenture and Loan Agreement to revise the amortization schedule and interest rate of the remaining Senior Bonds; and add certain debt service reserve, financial and reporting covenants; and make other conforming changes.

The requested amendments to the Indenture and Loan Agreement require bondholder consent (which has been provided by the Senior Bondholder) and result in a material change to the terms of the 2007 Bonds as approved by the I-Bank Board, and as such the authority to enter into these amended documents does not fit within the scope of the Executive Director's existing delegated authority established by Resolution 08-35.

RECOMMENDATION: Staff recommends adoption of Resolution 11-13 approving the First Supplemental Indenture and First Amendment to Loan Agreement) upon the occurrence of conditions specified therein.

APPENDIX A – January 23, 2007 STAFF REPORT AND RESOLUTION 07-02

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
 501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Borrower:	Sonoma Academy (Borrower or Academy)	Amount Requested:	Not to exceed \$34,000,000
		Type of Resolution:	Final
Borrower Description:	The Borrower is a 501(c)(3) nonprofit public benefit corporation that provides a non-secular, college preparatory high school program for students in San Francisco's North Bay region.	Date of Board Meeting:	January 23, 2007
		Resolution No.:	07-02
		Prepared by:	Barbara Lewis
Project Site:	2500 Farmers Lane, Santa Rosa, CA 95403 (Sonoma County).		
Uses of Bond Proceeds:	The proceeds of the bonds (Bonds) will be applied to pay the cost of, refinance, or reimburse the Borrower for: (1) the construction, installation, equipping and furnishing of a new high school campus consisting of (a) three new buildings comprising approximately 90,000 square feet in total, including a building to house a gymnasium, administration facilities and arts facilities, a building to house a library, classrooms and digital arts facilities and a building to house a black box theatre and classrooms for theater arts, (b) site improvements including an athletic field, an outdoor amphitheatre and landscaping, and (c) other educational facilities determined to be necessary by the Borrower (collectively, the Project); and, (2) paying certain costs of issuance and capitalized interest in connection with the Bonds.		
Public Benefits:	The Borrower is committed to providing a quality co-educational, nonsectarian, private college-preparatory high school program. The Academy strives to be accessible to families from a variety of socio-economic backgrounds. Currently, 40% of the students receive varying amounts of financial aid annually, and for the 2006-07 academic year, 86 students received a total of over \$1.3 million in financial assistance. Students also participate in local, state, national, and international community service and social change projects, and student enrollment is anticipated to increase by 38% upon project completion with an equivalent supplement of new teaching and administrative staff positions. Additionally, the Project is designed to exceed current energy efficient codes.		
Financing Structure:			
Type of Issue:	Fixed-rate tax-exempt private placement bonds issued in minimum denominations of \$500,000 with \$23,000,000 of senior debt to be placed with AIG Commercial Equipment Finance, Inc.; \$7,000,000 of subordinate debt to be placed with Non-Profit Preferred Funding; and, \$4,000,000 of junior subordinate debt to be privately placed with Trustees and/or Friends of the School, all of whom are Qualified Institutional Buyers and/or Accredited Investors (collectively, the Purchasers).		
Term:	25 years.		
Credit Enhancement:	None. The Purchasers will sign "traveling" Sophisticated Investor Letters.		
Credit Rating:	None.		
Est. Sources of Funds:		Est. Uses of Funds:	
AIG Tax-Exempt Financing	\$23,000,000	Est. Construction Costs	\$29,000,000
Subordinate Tax-Exempt Financing	7,000,000	Architectural & Engineering Costs	1,500,000
Junior Subordinate Tax Exempt Financing	4,000,000	Furniture, Fixtures, Equipment, Permits and Fees and Misc. Expenses	2,900,000
Borrower's Contribution	5,515,000	Contingency	2,000,000
		Reimburse Fundraising Campaign and Interim Financing Costs	500,000
		Capitalized Interest	1,975,000
		Debt Service Reserve	1,000,000
		Costs of Issuance	\$640,000
TOTAL SOURCES	\$39,515,000	TOTAL USES	\$39,515,000
Financing Team:			
	Bond Counsel:	Kutak Rock, LLP	
	Purchasers:	AIG Commercial Equipment Finance, Inc., Non-Profit Preferred Funding, and Board Members/Friends of the School	
	Trustee:	Wells Fargo Bank, NA	
	Financial Advisor:	Growth Capital Associates, Inc.	
Staff Recommendation:			
Staff recommends approval of Resolution 07-02 for an amount not to exceed \$34,000,000 for Sonoma Academy.			

BORROWER DESCRIPTION

Sonoma Academy (Borrower or Academy) is a co-educational, independent, nonsectarian, college preparatory high school whose mission is to call upon its students to be creative, ethical and committed to learning. The Academy serves students from throughout San Francisco's North Bay region including Sonoma County, western Napa and northern Marin Counties. The Academy also strives to nurture inspiring teachers, to engage students with the surrounding community, to have its students communicate across cultures as they prepare to become leaders in a dynamic world.

In July 1999, twelve community and business leaders came together to create the Academy. The founders envisioned a private school that would inspire, challenge and nurture students and prepare them to become leaders in the global community. The vision became reality in the Fall of 2001, when the Academy opened with 46 students in grades nine and ten, and included a program of academics, sports and arts.

The Academy has continued to grow since its inception and currently has students in grades nine through twelve. One hundred and seventy-two students were enrolled at the end of the 2005-06 academic year, and 190 students are currently enrolled for the 2006-07 academic year.

Along with the student growth, teaching and administration staffing has grown over the years. For the 2006-07 year, the Academy has 18 full- and part-time faculty, plus numerous adjunct faculty, who are hired primarily for the physical education, CONNECTIONS, and Health and Wellness programs, which are described in more detail in this report. Additionally, there are 5 administrators and 17 staff who handle the functions of finance and operations, development and alumni, communications, enrollment and marketing, academics, college counseling, student life, community service and international programs and technology.

The Academy attracts students, families, and faculty from a variety of racial, cultural and socio-economic backgrounds. Students come to the Academy from more than 60 public, private, and parochial middle schools (some are home-schooled) in Sonoma County, western Napa and northern Marin Counties. Approximately 18% of the student body and 20% of the faculty and staff are from ethnically diverse backgrounds.

The Academy is fully accredited by the Western Association of Schools and Colleges and is a member of the National Association of Independent Schools and Colleges.

All the students must complete a rigorous liberal arts curriculum that includes both required and elective courses in humanities, math/science, world languages, and the arts. In humanities and math-science, core courses are taught in integrated pairings (e.g., literature and history; physics and algebra). All students are required to take at least three years of math and science, but often take more of these classes than is required. The curriculum is structured to prepare students for admission to the University of California and other colleges and universities.

The Academy has the following programs:

CONNECTIONS Program

The Academy's community service and study abroad program, CONNECTIONS, requires all students to participate weekly in volunteer projects. Students develop an expansive meaning of "community" by actively engaging in service and social change on local, state, national, and global fronts. Study/travel offerings have included Thailand, France, China, Costa Rica, Mexico, Honduras, the Czech Republic, and Spain.

Athletics

Currently, interscholastic competition is focused on four sports: soccer, basketball, cross country, and lacrosse, each with a boys and girls team. Places on varsity teams are open to all students. Players compete in the Coastal Mountain Conference and the Golden Gate Lacrosse League. Soccer and lacrosse teams currently play on two regulation-size fields on the campus. Basketball teams practice and play in rented facilities.

Health and Wellness

Health and Wellness education covers a broad range of topics dealing with the theme of developing a student's ability to make well-informed and responsible decisions regarding health and personal development.

Students with Learning Differences

The Academy provides students with accommodations as needed for particular learning disabilities. Ten percent of the students have been tested for and found to have documented learning disabilities. Of these, over half were diagnosed after arriving at the Academy.

GOVERNANCE

The Academy is governed by a 19-member Board of Trustees (Board). Members serve a three-year average term; however, the term can be renewed and some current members have served for as many as seven years to date. The Board establishes policy, approves plans, budgets and expenditures and oversees the operations of the Academy. The Board also appoints the Head of School, who is responsible for the implementation of the day-to-day operational policies and operations.

The Board is comprised of standing committees that cover all areas of the Academy's operations, including the Finance Committee (with Investment subcommittee), Committee on Trustees, Advancement, Project, and Executive. Two new committees were formed for 2006-07: Strategic Planning and Audit. The Head of School sits on each Board committee to ensure complete integration of Board policy-making and direction with the work of the professional staff.

The responsibilities of the governing Board are summarized as follows:

1. Keeping the mission;
2. Serving as fiduciaries of the Academy;
3. Building and maintaining a positive relationship with the Head of School; and,

4. Reviewing and evaluating Board and Academy policies and performance.

In addition to the Head of School, the administration of the Academy includes a director of finance and operations, a director of enrollment and marketing, and a director of development. Appendix A to this staff report contains a list of current Board members and Academy administrators.

PROJECT DESCRIPTION

The Academy has outgrown its current location in the Wells Fargo Center at 50 Mark West Springs Road in Santa Rosa. The 30,000 square feet of leased space consists of 15 classrooms, a library, student lounge, administrative offices, conference room, and two regulation-size athletic fields. The Academy has the exclusive daytime use and reserves night and weekend use of the Merlo Theater, a 350-seat capacity auditorium located in the Wells Fargo Center. The current lease extends through August 2007. Due to the shortage of space, qualified students who applied to enter as freshmen in the fall of 2006-07 were denied admission.

The Project consists of the construction of a new high school campus on a 35-acre parcel situated in the southeast section of the City of Santa Rosa at the foot of Mt. Taylor. With approximately 90,000 square feet of building space designed to support a maximum enrollment of up to 310 students, the Project is comprised of the following four components:

Library and Classroom Buildings

This portion of the campus will include both one-and two-story buildings interconnected by elevated exterior walkways containing 17 classrooms, the library, an art exhibition space and a technology/digital arts center, totaling approximately 25,000 square feet.

Gymnasium Complex with Administrative Center and Visual Arts Wing

This complex will consist of a two-story, approximately 50,000 square foot building. In general, the building will contain assembly, educational, and office uses, including offices for the athletic director and coaches, locker rooms, a weight-training facility, a dance studio and two classrooms on the first floor. The second floor will contain the main administration offices and visual arts wing. Main access will be provided from the Central Plaza level into a reception area. The administrative corridor will provide offices for the Head of School, deans, admissions and development offices, and the business office. The Board conference room and Student Center will also be situated on this floor. The visual arts wing will have three classrooms, including a painting studio, ceramics studios, and a large deck that will overlook the outdoors.

Black Box Theater

A 15,000 square feet theater will be constructed and used for all productions pending the construction of the Main Theater, planned to be built in a later phase. This theater will provide seating for an audience of 150 people in a flexible design to maximize the use of the "box" theater space. The building will also have a music room, theater classroom, green rooms, and dressing rooms.

Site Improvements, Outdoor Amphitheater and Athletic Fields

Included in the Project are roadways, parking areas, and outdoor hardscape areas. The Project design includes site retaining walls, outdoor seating areas at the athletic fields and the amphitheater and lighting. Landscape planting, artificial turf sports fields and grass areas are also included.

Site development work began in the Fall of 2006. It is anticipated that the Classroom Building and Black Box Theater will be completed sometime during the Fall of 2007 and the remaining facilities will be completed and operational by early Spring of 2008.

PUBLIC BENEFITS

There are a number of ways in which the Academy contributes public benefits to the community, including those described below:

Significant Financial Aid

The Board is committed to keeping the Academy accessible to families from a variety of socio-economic backgrounds. The Academy's financial aid program provides financial support to families who would otherwise not have access to an independent school education. Over the past five years, the percentage of students at the Academy who receive some amount of aid has averaged 40%. For the 2006-07 academic year, tuition is \$24,500.00 and 86 students, or 44% of all students, received some amount of aid. Total aid for the year is over \$1.3 million.

Community Involvement/Service

A key element in the curriculum is the CONNECTIONS program. As described above, this nationally award-winning program gets students actively involved in local, state, national and international community service and social change projects. All students participate in CONNECTIONS every Wednesday. Initially students get involved with existing local organizations; in the last two years of their academic program, students are expected to either create their own service projects or intern at a local nonprofit.

Reduction in Traffic Congestion

The Academy's existing campus is located along the congested Highway 101 corridor in northern Santa Rosa. Currently, Highway 101 through and around Santa Rosa is undergoing a major widening and improvement project. The Project is located approximately 8 miles from the existing campus in southern Santa Rosa. As a result of the Project, students attending the Academy will make fewer trips on Highway 101 through downtown Santa Rosa with the new campus having access via surface streets from the south and east, including Napa and Marin Counties and Petaluma.

Job Creation

Once the Academy is relocated to the new campus, enrollment is projected to grow from the current enrollment of 190 students to approximately 300 students, which will result in an estimated 40% increase in the teaching and administrative staff. The Academy estimates creating 16 teaching and administration jobs within two years of Project completion.

Environmental

This Project will provide an opportunity for the Academy to expand its environmental studies program as a result of protected open space on two sides of the new campus. Additionally, the Project has been designed to exceed current energy-efficient building codes. Although the Academy has opted not to apply for Leadership in Energy and Environmental Design (LEED) certification, the Academy indicates that the design and materials used in the Project will meet many of the LEED's certification requirements.

PERMITS AND APPROVALS

The Borrower has confirmed that the Project meets all land use and zoning ordinances and that all necessary local approvals have been obtained. The Academy anticipates the building permit for the Project will be issued in January 2007, and construction is expected to be fully completed in the Spring of 2008.

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was held on November 8, 2006, following public notices that were published in the *Sacramento Bee* and *The Press Democrat*. No written or oral comments were received prior to, during, or following the hearing, and staff is not aware of any controversial issues or opposition to the Project or the proposed financing.

The public notices and related TEFRA hearing reflected that the amount of the Bonds was to be \$32 million. The Borrower has since increased the amount of the Bonds requested to \$34 million. A new TEFRA will be held on January 31, 2007 prior to the issuance of the Bonds to comply with IRS regulations. Staff is requesting permission from the Board to proceed with the sale of the Bonds if no negative oral or written comments regarding the Project or the financing are received in connection with the second TEFRA hearing.

The Borrower has provided a completed and signed legal questionnaire. No information was disclosed in the answers to the legal questionnaire that would lead staff to question the financial viability or legal integrity of this Borrower.

FINANCING TEAM

Bond Counsel:	Kutak Rock LLP
Purchasers:	AIG Commercial Equipment Finance, Inc., (Series A, Senior Bonds)

Non-Profit Preferred Funding (Series B, Subordinate Bonds)
Individuals who are friends of the School and Board members
(Series C, Junior Subordinate Bonds)
Trustee: Wells Fargo Bank, NA
Financial Advisor: Growth Capital Associates, Inc.

FINANCING DETAILS

Upon approval of a final resolution by the I-Bank Board, the I-Bank will issue up to \$34,000,000 of fixed-rate bonds (Bonds) in three separate series in minimum denominations of \$500,000. Series A will be issued in an amount up to \$23 million and privately placed with AIG Commercial Equipment Finance, Inc. as senior debt. There are no statutorily required maximum interest rates for bonds issued by the I-Bank, but normally the indenture includes a maximum rate of 12%. In this case, the purchaser of the Series A bonds requires that the default rate, the rate generally applicable when the bonds are in default or additional payments are not promptly paid, be set at 18%.

Series B will be issued in an amount not to exceed \$7,000,000 and privately placed with Non-Profit Preferred Funding, as subordinate debt. Purchasers of both Series A and B Bonds are Qualified Institutional Buyers (QIBs) as defined in Section 144(A) of the Securities Act of 1933, as amended.

Series C will be issued in a maximum amount of \$4,000,000 and privately placed initially with several Trustees and/or friends of the School as junior subordinate debt. The purchasers of the Series C Bonds are Accredited Investors as defined in Section 4(2) of the Securities Act of 1933, as amended. I-Bank staff performed due diligence to ensure the Series C purchasers meet the definition of Accredited Investor and that each party understands that the I-Bank is not responsible for the repayment of the Bonds, and that the each purchaser must independently evaluate the appropriateness of purchasing these unrated Bonds (collectively, the Series A, Series B and Series C purchasers are Purchasers).

Pursuant to a Loan agreement between the I-Bank and the Borrower (Loan Agreement), the I-Bank will assign to the Borrower full responsibility for the payment of principal and interest to satisfy the I-Bank's obligations under this financing. Principal and interest on the Loan shall be paid solely from the revenues to be received from the Borrower's payments under the Loan. In no event shall the Loan be deemed to constitute a debt or liability or obligation of the State or any political subdivision thereof, or a pledge of the faith and credit or taxing power of the State or any political subdivision thereof, but shall be a special obligation payable solely from Loan repayments payable by the Borrower to the I-Bank.

The Purchasers will sign a Sophisticated Investor Letter (Letter) at closing certifying, among other things, that: (i) they are Qualified Institutional Buyers or Accredited Investors, as appropriate; (ii) they have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment

represented by the Loan and that they are able to bear the economic risks of such investment; and, (iii) they will prohibit the resale of their investment in the Bonds, except to another QIB or an Accredited Investor signing a Letter. The Purchasers will also certify in the Letter that they understand there is no liability on the part of the I-Bank or the State to make any payment on the Loan.

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) the financing is for a project in the State of California; 2) based upon the Purchasers' willingness to purchase the Bonds, the Borrower is capable of meeting the obligation incurred under the Loan Agreement; 3) the payments to be made by the Borrower to the I-Bank under the Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the payments on the Loan; and, 4) the proposed financing is appropriate for the Project. Additionally, the Project is consistent with the I-Bank's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Resolution 07-02, for an amount not to exceed \$34,000,000, for the Sonoma Academy.

APPENDIX A

Sonoma Academy **Board of Trustees**

The following table contains a list of current Board members and their positions and committee assignments:

<u>Name</u>	<u>Committee(s) and Position(s)</u>
Kate Ecker	Executive (Board Chair), Strategic Planning (member)
Katherine Angell	Strategic Planning Task Force (member), Advancement (member)
Barbara Banke	Finance (member), Project (member)
Andy Berliner	Advancement (member), Committee on Trustees (member)
C. Carinalli	TBD
F. Benjamin Cushman	Marketing (Chair), Strategic Planning (member)
Electra de Peyster	Advancement (member), Project (member)
Janet Durgin	Strategic Planning (member)
Marinell Eva	Committee on Trustees (member), Marketing (member)
Carol Farrow	Marketing (member), Project (member)
Jane Fitzsimmons	Advancement (member), Project (member)
Ken Fitzsimmons	Finance (Chair), Investment (member), Project (member), Advancement (member)
Gregory French	Finance (member), Project (member), Strategic Planning (member)
Lisa French	Advancement (Chair), Marketing (member)
Jean Fruth	Committee on Trustees (member), Marketing (member)
Barbara Neyers	Committee on Trustees (Chair), Marketing (member)
Kristine Williams	Advancement (member), Project (member)
Bev Zeigler	Advancement (member), Committee on Trustees (member)
Kirt Zeigler	Project (Chair), Advancement (member), Finance (member) and Investment (member)

Academy Administration

The following table contains a list of names of the Academy's Administration and positions held:

<u>Name</u>	<u>Position</u>
Janet Durgin	Head of School
Derice Hogle	Director of Finance and Operations
Mary Jo Dale	Director of Enrollment and Marketing
Bennett Smith	Director of Development

RESOLUTION NO. 07-02

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$34,000,000 AGGREGATE PRINCIPAL AMOUNT OF CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FIXED RATE REVENUE BONDS (SONOMA ACADEMY PROJECT), SERIES 2007A, B AND C FOR THE PURPOSE OF FINANCING CERTAIN FACILITIES FOR THE BENEFIT OF SONOMA ACADEMY, PROVIDING THE TERMS AND CONDITIONS FOR THE SALE AND ISSUANCE OF SAID BONDS AND OTHER MATTERS RELATING THERETO AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the "Issuer") was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 et seq.), as now in effect and as it may be amended or supplemented (the "Act"), for the purpose of, among other things, providing financial assistance for the design, construction, financing and development of economic development facilities (as such term is defined in the Act) located in the State of California; and

WHEREAS, Sonoma Academy, a California nonprofit, public benefit corporation (the "Borrower"), has submitted an application to the Issuer for the issuance of revenue bonds, the proceeds of which would be loaned to the Borrower to pay the cost of or reimburse the Borrower for, (1) the construction, installation, equipping and furnishing of a school facility consisting of (a) three new buildings comprising approximately 90,000 square feet in total and including a building to house a gymnasium, administration facilities and arts facilities, a building to house a library, classrooms and digital arts facilities and a building to house a black box theatre and classrooms for theater arts, (b) site improvements including an athletic field, an outdoor amphitheatre and landscaping, and (c) other educational facilities determined to be necessary by the Borrower (collectively, the "Facilities"), all of which will be located at 2500 Farmers Lane, Santa Rosa, California, Assessor's Parcel No. 044-180-016 (which real property consists of approximately 35 acres and is situated in the southeastern section of the city of Santa Rosa, at the foot of Mt. Taylor and the future intersection of Farmers Lane Extension and Kawana Springs Road), (2) the funding of a reserve fund for the Bonds and (3) the payment of capitalized interest and certain costs of issuance in connection with the financing (collectively, the "Project"); and

WHEREAS, for purposes of financing the cost of the Project, the Issuer now desires (a) to authorize the issuance of its (1) California Infrastructure and Economic Development Bank Senior Fixed Rate Revenue Bonds (Sonoma Academy Project), Series 2007A in an aggregate principal amount not to exceed \$23,000,000 (the "Senior Bonds"), (2) California Infrastructure and Economic Development Bank Subordinate Fixed Rate Revenue Bonds (Sonoma Academy Project), Series 2007B in an aggregate principal amount not to exceed \$7,000,000 (the "Subordinate Bonds"), and (a) California Infrastructure and Economic Development Bank Junior Subordinate Fixed Rate Revenue Bonds (Sonoma Academy Project), Series 2007C in an

aggregate principal amount not to exceed \$4,000,000 (the "Junior Subordinate Bonds" and, together with the Senior Bonds and the Subordinate Bonds, the "Bonds"), (b) to provide for the sale of the Bonds, (c) to provide for the payment of the principal of, premium, if any, and interest on the Bonds with revenues derived from the loan of proceeds of the sale of the Bonds (except for any amount representing accrued interest on the Bonds) to the Borrower to finance the costs of the Project pursuant to the terms and provisions of a loan agreement and (d) to take and authorize certain other actions in connection with the foregoing; and

WHEREAS, the Issuer's staff held a public hearing on November 8, 2006 (the "Initial Public Hearing") with respect to the issuance of \$32,000,000 aggregate principal amount of the Bonds for the Project; and

WHEREAS, no written or oral comments were received by the Issuer's staff prior to or at the Initial Public Hearing with respect to the issuance of the Bonds or the use of the proceeds of the Bonds to finance the Project; and

WHEREAS, subsequent to the Initial Public Hearing, the Borrower notified the Issuer that the aggregate principal amount of Bonds required to finance the Project increased from \$32,000,000 to \$34,000,000; and

WHEREAS, the Issuer's staff has caused to be published a notice for another public hearing to be held on January 31, 2007 (the "Additional Public Hearing") with respect to the issuance of \$34,000,000 aggregate principal amount of Bonds for the Project as set forth above; and

WHEREAS, the Issuer may not issue the Bonds to finance the Project until the Board of Directors of the Issuer makes certain determinations relating to the Project as required by the Act and the Issuer's procedures for the issuance of revenue bonds; and

WHEREAS, there is now on file with the Secretary of the Issuer the following:

(a) a proposed form of the Loan Agreement (the "Loan Agreement"), to be entered into by and between the Issuer and the Borrower;

(b) a proposed form of the Indenture of Trust (the "Indenture"), to be entered into between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"), providing for the authorization and issuance of the Bonds to be dated the date of delivery thereof;

(c) a proposed form of the Purchase Contract (the "Purchase Contract"), to be entered into by and among the Issuer, the purchasers of the Bonds identified therein (the "Purchasers"), and approved by the Borrower; and

(d) a proposed form of the Deed of Trust Assignment Agreement (the "Assignment Agreement"), by and between the Issuer and the Trustee.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the California Infrastructure and Economic Development Bank, as follows:

Section 1. The form of the Loan Agreement on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Loan Agreement, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof. The Issuer further authorizes and approves the loan of the proceeds of the Bonds (except any amount representing accrued interest on the Bonds) to the Borrower in order to finance the cost of the Project pursuant to the terms and provisions of the Loan Agreement.

Section 2. The form of the Indenture on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver to the Trustee the Indenture, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 3. The form of the Purchase Contract on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Purchase Contract, and the Secretary of the Issuer is authorized to attest thereto, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 4. The form of the Assignment Agreement on file with the Secretary of the Issuer is hereby approved and the Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized and empowered to execute by manual or facsimile signature and deliver the Assignment Agreement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Issuer, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The Issuer approves the issuance on a tax-exempt basis of not to exceed \$34,000,000 aggregate principal amount of the Bonds for the Project in accordance with the terms of and to be secured by the Indenture; provided, however, that such approval is subject to no negative comments relating to the Project or the financing of the Project with the proceeds of the Bonds being received by the Issuer's staff prior to or at the Additional Public Hearing. Payment of the principal of, premium, if any, and the interest on, the Bonds shall be made solely from the revenues to be received by the Issuer pursuant to the Loan Agreement and Indenture, and said Bonds shall not be deemed to constitute a debt or liability of the Issuer or the State. The Chair or the Executive Director of the Issuer or the Chair's designee, and each of them, acting

alone, is hereby authorized and directed to execute, in the name and on behalf of the Issuer, by manual or facsimile signature, the Bonds, and the Secretary of the Issuer is hereby authorized and directed to attest, by manual or facsimile signature, thereto in an aggregate principal amount not to exceed \$34,000,000 in accordance with the Indenture and in the form set forth in the Indenture. The Bonds shall bear interest at the rates to be determined in accordance with the Indenture.

Section 6. The Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate and register the Bonds so delivered by executing the appropriate Certificate of Authentication and Registration appearing thereon, and to deliver the Bonds, when duly executed, authenticated and registered, to the Purchasers in accordance with written instructions executed on behalf of the Issuer by the Chair or Executive Director of the Issuer or the Chair's designee, which instructions said officer is hereby authorized and directed, for and in the name of and on behalf of the Issuer, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchasers upon payment of the purchase price therefor.

Section 7. Pursuant to Section 63046 of the Act, and based upon representations made by the Borrower, the Board of Directors of the Issuer hereby finds and determines:

- (a) that the Project is located in the State;
- (b) that based upon the commitments of the Purchasers to purchase the Bonds, the Borrower is capable of meeting its obligations with respect to the Bonds to be issued for the Project;
- (c) that the payments to the Issuer are adequate to pay all expenses of the Issuer in connection with the issuance and payment of the Bonds;
- (d) that the issuance of the Bonds is an appropriate financing mechanism for the Project;
- (e) that the Project is consistent with any existing local or regional comprehensive plans; and
- (f) the Project demonstrates clear evidence of a defined public benefit.

Section 8. The Chair or Executive Director of the Issuer or the Chair's designee, and each of them, acting alone, is hereby authorized to execute all documents, certificates and instruments necessary or appropriate to this transaction and the issuance of the Bonds, including, without limitation, a tax regulatory agreement or certificate and no arbitrage certificate. All actions required to be undertaken by the Secretary of the Issuer that are necessary or appropriate to this transaction and the issuance of the Bonds may be undertaken by the Secretary's designee.

Section 9. All actions heretofore taken by the officers and agents of the Issuer with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed and ratified, and the officers of the Issuer and their authorized designees, deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and

deliver any and all certificates and documents which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution.

Section 10. This Resolution shall take effect from and after its adoption.


PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on January 23, 2007, by the following vote:

AYES: Heidig, Rosenstiel, Arnold, Marin, Rice

NOES: None

ABSENT: None

ABSTAIN: None

By 
Stanton C. Hazelroth, Executive Director

Attest:

By 
Roma Cristia-Plant, Secretary